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MEMORANDUM FOR: Deputy Director for Administration  
FROM:   
VIA: Chief, Liaison Division  
SUBJECT: House Hearings on Supplemental Retirement

DD/A REGISTRY  
100-13

1. As you know, the House Post Office/Civil Service Committee is holding hearings this month on a supplemental retirement system for new employees. The Agency is invited to testify on 25 April. I attended the first two hearings in the series of five. I sent you the statements for the record from the 2 April hearing and there is nothing more to add. There are several items from the 3 April hearing that will be of interest to you. (The witness list is attached.)

PANEL OF FEDERAL PERSONNEL OFFICIALS

2. Chairman William D. Ford (D., MI) clearly stated at the beginning and end of this session that the panel members (see attached list) were speaking as personnel specialists and were there to share their perceptions; they had not been invited to comment on Administration or Congressional proposals, to speak at the policy level, or to defend the Administration's position. The Chairman, therefore, made sure that the panelists were not in the awkward position of defending Administration policy.

3. The panelists did not have prepared introductory statements. The Chairman asked a number of questions, having each panelists respond in turn. The questions and responses are as follow:

-"How many civilian employees are in your organization, and how many are covered by Social Security?"(that is to ask how many people have you hired since 31 Dec. 1983)

Each panelist was prepared to and did give the numbers.

-"What are you advising the new hires now?" (The Chairman wanted to know the impact on the morale of new hires and on the recruitment of new employees, given the uncertainty of their retirement.)

Each panelist responded that the retirement question had not had a negative impact on their recruitment efforts and that the new employees were more interested in pay, benefits in general, and in career paths. (Later in the session the difficulties in recruiting for the hard-to-fill positions (ie. highly skilled scientists and engineers) were cited.

- "What has been your recent experience with voluntary retirement?" (The Chairman wanted to know whether employees were retiring earlier because of fear over changes in retirement. He explained that he was asking because, "I have received a lot of letters and people tell me wherever I go, Federal Employees and Foreign Service Officers, that they are very concerned. They ask me, "Do you think that I ought to retire before they screw up my retirement?"")

(The responses indicated that the panelists were not prepared for this question, that they wanted to say that there had been a negative impact on retention but didn't have the facts, and that they preferred to talk about the total benefit package and losing people to private industry.)

-Cipolia (DoD) stated that he could not verify the negative impact and that in late 1984 there was no appreciable change in the retirement rate.

-Chen (NIH) stated that he did not have the exact numbers, only estimates broken down by the departments.

-Riley (Agriculture) said that he could not verify an appreciable decrease or increase in retirement, but that in December they had twice the expected number of retirements which might have been attributable to concern over retirement.

-Grant (NASA) said that his organization had an increase in the number of people retiring, but that the increase was not dramatic and he could not say with any assurance whether that was affected by retirement issues.

-Meyer (Food and Drug) stated that he had no recent data but he had plenty of people leaving for better pay and benefits in private industry.

-Weiss (Treasury) said that his people knew that if there were adverse changes enacted, they could put in their

papers and quickly leave before they were hurt. He said that retirements from Treasury did not reflect talk about cut backs.

4. Congressman Ford then moved to a discussion of the "pay cap" with a question to Grant about NASA: "Your predecessor came to us a couple years ago about the serious problems caused by the pay cap,--is it still a problem?" Mr. Grant made a very strong statement in the affirmative. He said that, "any adverse actions by Congress or the Administration hurt us alot. We have very marketable people at the senior level and all levels. We are losing people who go out and get two and sometimes two and one-half times more salary. Changes, like an increase in the retirement age, will simply cause people to leave." Grant then described the highly skilled workforce at Nasa. The other responses to the "pay cap" question were:

-Chen (NIH) said that, "our problem in recruiting and retaining at the higher levels is that government salaries are falling behind. Salary is the primary reason for turn downs. The 'special physician' pay helps us. One retirement option we feel would help us more is already employed by the Uniformed Services of Health Sciences; it is a portable system used at most US Universities and Colleges and professional organizations." (The TIAA System)

-Riley (Agriculture) said that, "scientists at the higher grades are not a problem because they did not expect them to stay anyway."

-Meyer (Food and Drug) said that the FDA did lose a certain percentage of highly skilled people to private industry, but he was not sure that the government could ever adjust the pay cap to be competitive because the people left for reasons in addition to more competitive pay.

-Weiss (Treasury) stated that his department, "had alot of turnover of people at the higher grades, such as bank examiners, but that it was useful to send the government-trained people out to the private sector to make things operate better."

-Cipolla (DoD) remarked that the total benefit package was not competitive with the private sector and that it was very difficult to recruit people for the hard-to-fill categories, such as engineers and scientists; he said that that was not the case with the other job categories.

5. Congressman Don Young (R-AK), the only other Member in attendance, asked a few questions about turnover. He apparently was trying to state the Administration's case regarding quit rates. Mr. Grant (NASA) closed the topic by stating that the Government failed to account for the number of Federal employees who constantly move from one Federal job to another and that if the government did record these changes in employment, the quit rates for private industry and government would be much closer. (Recently, OPM Director Donald J. Devine argued that Federal pay should be determined by quit rates: when many people in a given job category resign, then the pay in that particular category should be increased in order to retain people.)

6. The final issue raised with this panel was pay comparability between the private and Federal sector. Ford stated that there was one thing he had learned after 21 years on this Committee, that pay comparability was impossible. "We can't do it. It is like steering a ship by looking at the waves. There are so many changing circumstances that the pendulum swings; first you have a glut of a certain skill, then a shortage." He cited examples like DoD, which has such a variety of job classifications that many have no equivalent in the private sector, and the example of NASA, which can have a major program cancelled and cause a surplus of people in disciplines that formerly were hard to find.

#### TESTIMONY OF NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES

7. A copy of the statement for the record is attached. The views of this Association are of interest because they signal where the major employee groups may be headed on this issue. To that end, the following points are worth noting:

- Want a three-tiered system, including Social Security, a defined benefit, and a voluntary thrift plan. (The Stevens model is an example.)

- Do not want a plan with only the tax-deferred plan to supplement Social Security (The Administration's proposal is an example)

- New plan should incorporate provisions that satisfy unique circumstances of special employee groups such as air traffic controllers, firefighters and law enforcement officers.

-Employees currently under Civil Service should not be allowed to opt into new plan; this could endanger the current system.

-Should include some degree of employee contribution (the group reasons that Federal benefits are often under political attack and if employees have a direct stake in plan's funding, it will be a source of political strength to ward off the attacks.

-Include protection against inflation

8. In summary, this group would support a proposal like that of Senator Ted Stevens (D-AK), and fight a proposal like that of the Administration.

PANEL OF STATE GOVERNMENT PENSION ADMINISTRATORS

9. The purpose for this session was to collect information on alternative designs. Each panelist described their respective systems and responded to questions related to integration formulas, administrative procedures, and the impact on the workforce of multi-tiered systems in which all employees do not receive the same benefits.

10. The next House hearings on supplemental retirement are scheduled for 23, 25 and 30 April.

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